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SUBJECT: SUBDUED BOARD APPROVES IAEA BUDGET INCREASE, EYES
WORK AHEAD

REF: A. UNVIE 365
[1](#)B. STATE 80219

[1](#)1. (SBU) Summary: Budget negotiations at the IAEA concluded successfully on August 3 with a Board of Governors' agreement to approve an increase of 5.4 percent. The dozen statements from a wide range of Member States mostly focused on their "disappointment" with the end result. They also previewed the particular budget issues that will affect the IAEA's fall agenda and the topics for the intended working group on priorities and resources. Such topics include funding capital investment projects, sharing (or shrinking) the burden of safeguards financing, the proper place for technical cooperation and the statutory legitimacy of Nuclear Security. The dreary atmosphere in the Board Room today was partly driven by fatigue, but also serves as a reminder that any negotiated solution rarely succeeds in satisfying all parties. Several delegations, including South Africa, welcomed afterwards the U.S. financial commitment to the IAEA as reflected in our voluntary pledges and our agreement to engage constructively on financing technical cooperation. End Summary.

[1](#)2. (SBU) Board Members convened August 3 for a subdued, two-hour special session of the Board of Governors to seal recommendations to the General Conference to approve the IAEA 2010 budget and indicative levels for 2011. For the most part, participants used their national statements to highlight their "disappointment" in this or that aspect of the final proposal, which entails a 5.4 percent increase in the IAEA's regular budget (ref a). The U.S. statement was the most positive, expressing appreciation for Member States' willingness to come to consensus, support the IAEA in its expanding mandate and recognize the importance of Nuclear Security (ref b). Least constructive was the perfunctory statement read by Argentina on behalf of the Group of 77, expressing "dissatisfaction" that G-77 concerns were (supposedly) given short shrift in the final proposal. Egypt was more thoughtful, stating that we all should have "dug deep in our pockets" to support an organization that seeks to advance our shared security. (This was the first time Egypt publicly suggested that it would have supported a larger increase than the final figure.) Less helpfully, Egypt went on to attack the "staggering increase" for Nuclear Safety and Security, and to reject explicitly that Nuclear Security is a core mission of the Agency. Australia and others thanked the U.S. and Japan for extra budgetary contributions to finance the first phase of planning for the Safeguards Analytical Laboratory.

[1](#)3. (SBU) The dozen statements issued at today's meeting previewed the topics that will likely arise in the fall,

particularly the September General Conference and the agreement to establish a working group on "priorities and resource requirements." Topics regarding technical cooperation will also likely be affected by the budget negotiations. For example, Egypt's heavy involvement in budget negotiations and responsibility for drafting the annual resolution on Technical Cooperation will guarantee the bleeding of budget issues into other business. Looming topics as expressed in today's statements include:

- Nuclear Security should be a separate Department from Safety due to the very different "nature" of its program activities and should rely on voluntary funds (Iran).
- Nuclear Security is not a core, statutory function of the IAEA (Egypt).
- It is not fair that the capital investment fund was funded from voluntary contributions and not from the Regular Budget (Norway).
- The working group should focus on helping the IAEA postpone or abandon low priority activities (UK).
- We should follow up on these initial steps to stabilize resources for Technical Cooperation and ensure continued "balance" among IAEA activities (South Africa).
- The new Director General - Yukiya Amano of Japan - should take on efficiency as one of his top tasks (France).

14. (SBU) The Secretariat will take the next nearly six weeks to prepare the budget proposal for final approval by the

annual General Conference, September 14-18. In the meantime, Mission will relay to Washington any developing plans for the working group on priorities and resources, while keeping an eye on budget-related issues affecting the fall agenda.

Comment

15. (SBU) The conclusion of marathon negotiations like this one can be characterized by a sense of victory, if not euphoria. But the subdued atmosphere in the Board Room today reflects the sense that major issues remain unaddressed, including the failure to gain consensus on notional figures for 2011 and the unresolved capital requirements of the IAEA's safeguards lab. Member States are depending on re-engaging in budget negotiations after a short hiatus, as well as involving themselves in the working group on resource issues. The numerous expressions of disappointment from around the room suggested that the past five months of negotiations led to a truly diplomatic outcome - one without big winners or big losers, but also one that conveys no consensus view of the IAEA as it should be.

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